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DATE: August 5, 2010

TO: Docket Control
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

FROM: April Robitaille, Assistant to Bradley J. Herrema

RE: In the Matter of the Application of Arizona-American Water Company
Docket Nos. W-01303A-09-0343 and SW-01303A-09-0343

Enclosed is an original and 14 copies of our Reply Brief of Anthem Gold and Country Club. Please conform one of the copies, and return it to us in the envelope provided. Thank you for your consideration.

Enclosures

SB 545847 v1:098000.0015

Arizona Corporation Commission
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BEFORE THE ARIZONA CORPORATION COMMISSION
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KRISTIN K. MAYES
Chairman

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GARY PIERCE
Commissioner

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

PAUL NEWMAN
Commissioner

SANDRA D. KENNEDY
Commissioner

BOB STUMP
Commissioner

IN THE MATTER OF THE APPLICATION
OF ARIZONA-AMERICAN WATER
COMPANY, AN ARIZONA
CORPORATION, FOR A
DETERMINATION OF THE CURRENT
FAIR VALUE OF ITS UTILITY PLANT
AND PROPERTY AND FOR INCREASES
IN ITS RATES AND CHARGES BASED
THEREON FOR UTILITY SERVICE BY ITS
ANTHEM WATER DISTRICT AND ITS
SUN CITY WATER DISTRICT

DOCKET NO. W-01303A-09-0343

IN THE MATTER OF THE APPLICATION
OF ARIZONA-AMERICAN WATER
COMPANY, AN ARIZONA
CORPORATION, FOR A
DETERMINATION OF THE CURRENT
FAIR VALUE OF ITS UTILITY PLANT
AND PROPERTY AND FOR INCREASES
IN ITS RATES AND CHARGES BASED
THEREON FOR UTILITY SERVICE BY ITS
ANTHEM/AGUA FRIA WASTEWATER
DISTRICT, ITS SUN CITY WASTEWATER
DISTRICT AND ITS SUN CITY WEST
WASTEWATER DISTRICT

DOCKET NO. SW-01303A-09-0343

REPLY BRIEF OF ANTHEM GOLF AND COUNTRY CLUB

1 The Anthem Golf and Country Club ("Club") hereby files its reply brief in the above-
2 captioned matter.

3 **I. INTRODUCTION**

4 The Club's primary concern in these proceedings is the rate the Arizona American Water
5 Company ("AAWC" or "Company") charges it for the delivery of water for the irrigation of its golf
6 courses. The Club is located within both AAWC's Anthem Water District ("Water District") and
7 Anthem/Agua Fria Wastewater District ("Wastewater District"). The Club irrigates its 36-hole
8 championship golf course with non-potable water – consisting almost exclusively of treated
9 wastewater effluent¹ generated by the Wastewater District.

10 The Club's concerns in this case were based on the Company's proposed increase in the
11 Water District's Non-Potable Irrigation Rate, which, when coupled with the rate increase approved
12 in the Commission's June 2008 Decision 70372, would have represented more than a 300%
13 increase in the last two years. The Club is encouraged that the Company has heard its concerns
14 regarding the proposed increase and the impacts that it would have on the Club, and that the
15 Company now requests a more modest increase in the Water District's Non-Potable Irrigation
16 Rate.²

17 The Club files this reply brief to express its concurrence with the positions of the two other
18 golf courses who have intervened in these proceedings, DMB White Tanks, LLC ("DMB") and
19 Mashie, LLC dba Corte Bella Golf Club ("Corte Bella"), that an Effluent rate should be established
20 in the Anthem Agua Fria Wastewater District for the provision of treated wastewater effluent to the
21 courses.³ If the Commission determines not to set such an Effluent rate, in no case should the
22 Commission adopt the unsupported rates included in the schedules proposed by Staff and the
23 Residential Utility Consumer Office (RUCO). If the Water District's Non-Potable Irrigation rate is
24 to be amended, it should be set no higher than the rate proposed by the Company in its final
25 schedules.

26 **II. THE COMMISSION SHOULD SET A REASONABLE RATE FOR THE**
27 **WASTEWATER EFFLUENT THE COMPANY PROVIDES**

28 The Club presently receives water for irrigation purposes from the Company pursuant to the

¹ Ex. AGCC-1, 5:5-6.

² Company's June 25, 2010 Anthem Water District Schedule H-3, Rvvd; Post-Hearing Brief of Arizona-American Water Company, July 16, 2010, pp 42-43.

³ See Corte Bella's Opening Brief, July 16, 2010; DMB White Tank, LLC's Closing Brief, July 16, 2010.

1 Water District's Non-Potable Irrigation Rate. The Club is the Water District's largest Non-Potable
2 Irrigation water customer⁴ and its only wastewater effluent user.⁵ The Water District's current Non-
3 Potable Irrigation rate is \$1.43/kgal, set in 2008, through Commission Decision 70372. In the
4 present rate case, the Company initially requested a 104.22% increase among all rates in the Water
5 District.⁶ In response to Staff's rebuttal testimony regarding the Company's revenue requirement,
6 the Company agreed to reduce its requested rate increase for the Water District to a rate of
7 \$2.5648/kgal, which would constitute roughly a 79% increase from the present rate. Combined
8 with the increase approved in the Commission's adoption of Decision 70372 in June 2008, this
9 would have represented a more than 300% increase in just over two years.

10 The Club, in this rate case, and in Docket WS-01303A-06-0403, submitted testimony and
11 comments, respectively, on whether the Company's proposed increases to the Water District's Non-
12 Potable Irrigation Rate were supported by the Company's evidence.⁷ The Company proposed a
13 reduction in the increase sought for the Non-Potable Irrigation Rate. During the Phase 2 Hearing,
14 the Company's witness, Mr. Broderick, testified that the Company would accept the establishment
15 of a reasonable separate rate for the sale of effluent produced by the Wastewater District as a
16 Wastewater District rate.⁸ Witnesses for both Commission Staff and the Residential Utility
17 Consumer Office ("RUCO") also agreed that the establishment of a specific Wastewater District
18 Effluent Rate would be appropriate in this case.⁹ However, the Company's Final Rate Design
19 Schedules,¹⁰ filed on June 25, 2010, includes only a Non-Potable Irrigation tariff for the Water
20 District, set at \$1.63/kgal, and no Wastewater District Effluent tariff.¹¹

21 As described in the briefs of DMB and Corte Bella, a reasonable Effluent rate should be
22 established in the Wastewater District. The reasoning for the same has been well articulated in
23 those briefs and the Club supports the Commission setting such an Effluent rate at the rate requested
24 by DMB and Corte Bella. Based on the testimony presented at the hearing, it was thought that the
25 Company, RUCO and Staff were agreeable to the setting of an Effluent rate.

26 ⁴ Ex. AGCC-1, at 4:19-23.

27 ⁵ Post-Hearing Brief of Arizona-American Water Company, at 42:22.

28 ⁶ Company's Initial Schedule H-3, Page 1.)

⁷ Ex. AGCC-2, at 4-6; attachments to AGCC-2.

⁸ Tr., Phase II, at 185, 187.

⁹ Tr., Phase II, at 734 (testimony of RUCO witness Mr. Moore), 1292 (testimony of Staff witness Mr. Michlik).

¹⁰ As discussed in section II., neither of the final rate schedules filed by RUCO or Staff included an effluent rate in the Wastewater District, but both maintained a Water District Non-Potable Irrigation Rate.

¹¹ Company's June 25, 2010 Notice of Filing Final Rate Design Schedules.

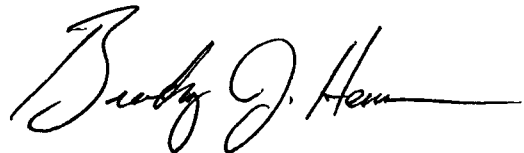
1 However, if the Commission determines not to set such an Effluent rate, but to amend the
2 present Water District Non-Potable Irrigation Tariff, in no case should the Commission adopt the
3 unsupported rates included in the schedules proposed by Staff and RUCO. As the Company
4 correctly points out, neither RUCO nor Staff have addressed the issue of an effluent or non-potable
5 irrigation rate in this proceeding.¹² And, while both included Non-Potable Irrigation rates in their
6 final rate schedules, neither provides support for those rates or discussed the same in their briefing.
7 If the Non-Potable Irrigation rate is to be amended, it should be set no higher than the rate proposed
8 by the Company in its final schedules.

9 III. CONCLUSION

10 The Club acknowledges and appreciates the efforts of the Company and the other
11 parties to address the issues described herein. The Club respectfully requests that the Commission
12 adopt its recommendations in these proceedings.

13 DATED: August 5, 2010

Respectfully submitted,



14 By: _____
15 Bradley J. Herrema
16 Brownstein Hyatt Farber Schreck, LLP
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28 ¹² Post-Hearing Brief of Arizona-American Water Company, at 43:3-4.

PROOF OF SERVICE

ORIGINAL and thirteen (13) copies of the
of the foregoing filed
this 5th day of August 2010 with:

Docket Control
ARIZONA CORPORATION COMMISSION
1200 West Washington
Phoenix, Arizona 85007

Copy of the foregoing served,
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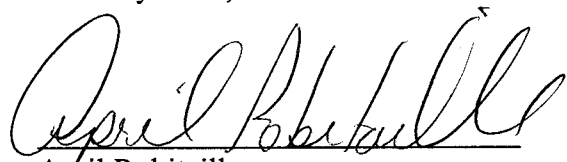
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